

Joint Committee on European Affairs

Contribution to the European Commission on its Annual Policy Strategy for 2010

Introduction

1. The Committee thanks the Commission for forwarding its annual policy strategy for 2010 as part of the ‘Barroso initiative’ which has been working effectively since 2006. The Committee welcomes this opportunity to comment on this important strategy statement which will shape the Commission’s Work and Legislative Programme for 2010. It will also inform the new Commission as it reviews its policy priorities at the start of its mandate, and in turn prepares its Work Programme for 2010. The EU is facing very challenging and uncertain times and therefore it is important that there is a level of continuity at an institutional level within the EU. This Annual Policy Strategy should form the basis of this continuity. As the EU grapples with the economic crisis and the challenge of climate change, there is a need for ambition and creative thinking. The transition between the current Commission and a new Commission later this year should not hinder the essential work that needs to be brought forward by the EU in the short to medium term.
2. The annual policy strategy is a key document, together with the 18 month Presidency Programme, in setting the priorities of the EU going forward. It is therefore essential that it is responsive to the needs and concerns of the citizens of the EU. It is in this context that the Committee is making its contribution with a view to feeding into the development of the Commission’s Annual Work and Legislative Programme for 2010 and the policy review of the incoming Commission.
3. The number one concern of all EU citizens is the economy and jobs. The Committee has therefore decided to focus in its contribution on two priority areas identified by the Annual Policy Strategy 2010: economic and social recovery, and climate change and sustainable Europe. It is the Committee’s opinion that these are mutually reinforcing priorities that should be closely linked. High environmental standards stimulate innovation, business opportunities and employment, so there is no contradiction between protecting our environment and our economic wellbeing. In order to assess these priority areas and assist with the preparation of its contribution, the Committee has recently held consultations with a number of key stakeholders and opinion formers.

Observations and Recommendations

Economic & Social Recovery

4. The Committee agrees that the **European Economic Recovery Plan** provides a solid basis for building the conditions for recovery and therefore its implementation must be a top priority. The Committee believes that the European Commission should be open to the idea of extending the measures under the Economic Recovery Plan beyond 2010 if deemed necessary. If an economic recovery is not forthcoming towards the end of 2010, the Commission may have to take further action to stimulate the European economy.
5. The Committee welcomes the Commission's proposal to change the allocations of financial resources to key initiatives supporting the Economic Recovery Plan. It believes that the proposed increase in appropriations for 'Competitiveness growth and employment' will increase the knowledge base of Europe and improve our human capital. The focus of any economic recovery plan must be employment. In this respect, Europe faces two separate but linked challenges – the creation of new opportunities to close the gap of ever-increasing unemployment, and the retention of existing jobs. The EU needs to respond to both challenges so that struggling but viable enterprises can trade through this exceptional downturn, and that new opportunities for employment can be supported.
6. There is a need to support enterprises that are capable of growth and therefore, the Committee welcomes the introduction of the Enterprise Stabilisation Fund. This fund is a key step in securing the future of companies and sustaining employment. The increase in appropriations for the Globalisation Adjustment Fund is also to be welcomed as it will help those people who have unfortunately been made redundant due to the changing economic circumstances to receive training and re-skilling in order to assist them in finding new work.
7. The Committee agrees that a key to Europe's economic recovery plan will also be reform of financial regulation aimed at restoring confidence to the markets. However, more importantly, the major objective of this work should be stabilising the banking sector so that normal lending can be resumed to businesses, especially Europe's Small and Medium sized enterprises (SMEs), the bedrock of the European Economy. Without access to credit many viable SMEs will falter and many more jobs could be lost. In this respect, the Committee welcomes the Commission's intention to prioritise the implementation of the **De Larosière report** on financial regulation and supervision¹.
8. The Committee also believes that the Commission should continue to prioritise the **better functioning of the Single Market**. The importance of maintaining open

¹ See The Joint Committee on European Affairs Sixth Report of April 2009 'Comments on the recommendations of the High Level Group on Financial Supervision in the EU'.

trade systems and enhancing Europe's attractiveness for trade and investment should be a central priority. To that end, the Commission should examine ways by which the functioning of the Single Market could be improved. The Committee identified a number of ways in which this could be achieved:

- new VAT rules for cross-border business should be introduced to shift the place of VAT taxation to where services are consumed, to replace the existing rules based on the location of supplier;
- best practice in terms of business banking should be rolled out across the EU, particularly for the securing of loans;
- an electronic market-alert system for business should be setup to keep enterprise informed of important and relevant EU proposals, decisions and changes;
- consideration should be given to selective promotional and awareness raising activities that would encourage the retail sector to undertake more cross-border sourcing;
- public procurement notification across the Community should be online and comprehensive;
- the EU should take steps to guarantee uniform and predictable cross-community customs classifications to ensure that they do not represent a barrier to trade;
- an EU level review of the retail and distribution sector should be undertaken to identify obstacles to realising the potential of the Single Market.

Implementation of such measures, among others, would help business to trade across European borders more easily and would encourage those who have not yet done so to enter new markets. Such measures would be particularly beneficial to SMEs. The full implementation of the Small Business Act is also paramount to assisting SMEs to do business across the EU.

9. The Committee agrees that the pursuit of objectives in the **Lisbon Strategy for Growth and Jobs** is vitally important if Europe is to recover from the current economic crisis and be in a strong position to exploit fully the opportunities that will emerge as the world economy begins to recover. However, while the target of Europe becoming the most competitive knowledge-based economy in the world by 2010 was both laudable and ambitious, it is clear that the EU is not going to realize that aspiration. A whole scale review of the Lisbon Strategy is required which should lead to a revised strategy that is both realistic and innovative. The new targets to be set should be effectively followed-up and monitored. The Committee believes that this work on the review of the Lisbon Strategy needs to be begin as a matter of urgency given the current unemployment crisis in the EU

and therefore welcomes the Swedish Presidency desire to bring work on the review forward in the next six months.

10. The EU must re-focus on building a sustainable knowledge economy in order to emerge from the present economic situation with a more innovative and diversified economy. The Committee believes that there should be three core elements to the new Lisbon Strategy: skills, innovation and infrastructure. As unemployment grows across Europe, it is striking that there are over 4 million unfilled job vacancies, which are mostly in the skilled ICT and research areas. The EU needs therefore to assist those unemployed to gain new skills and re-train for a knowledge based economy. Innovation should be at the centre of the EU's jobs strategy. The EU needs to develop a total innovation strategy that draws together public and private, social and commercial innovation as well as entrepreneurship. In terms of infrastructure, the EU must invest more in quality, affordable internet access though the roll out of broadband across integrated networks.

11. The Committee welcomes the Commission's decision to increase the financial resources being allocated to Cohesion for growth and employment by €80 million. It also welcomes the additional €803 million allocated to the seventh Framework Programme (FP7). This programme is key to ensuring that researchers, including Irish enterprises achieve the targets set out in the Strategy for Science, Technology and Innovation. The Lisbon Strategy advocates that "small enterprises must be considered as a main driver for innovation, employment as well as social and local integration in Europe". The Committee agrees that this objective must be central to the FP7 as well as future framework programmes as R & D and the application of knowledge is a critical driver in the growth and sustainability of Irish enterprises.

Climate Change and Sustainable Europe

12. The Committee welcomes the Commission's prioritisation of **climate change and sustainability**. These are major challenges for the international community and the Committee commends the Commission for taking such a strong lead in this area. This leadership will need to continue if the Union and its Member States are to achieve the targets set in the Climate Change and Renewable Energy Package agreed last December (i.e. the '20-20-20' package). This package requires a broad range of secondary legislative instruments to be adopted by the EU and these should be expedited as quickly as possible. Of course, the focal point of the EU's work on climate change is the Copenhagen Conference this December. Achieving a common EU position for this conference must be a priority if the Union is to convince the rest of the international community to follow it and the Committee welcomes that Swedish Presidency's intentions in this regard.

13. The Committee strongly believes that the issues of climate change and sustainability offer immense opportunities for future growth in the enterprise sector. Environmentally-related and energy-related goods and services offer growth opportunities for the enterprise sector in Europe. EU programmes in this field can have a valuable role in encouraging innovation. The Committee believes that there are opportunities for enterprise in a number of areas of energy-related goods and services including:

- smart grid development with software, sensors and ICT applications;
- nanotech applications in energy related materials and systems;
- renewable energy generation and technologies, particularly wind, marine and bio-energy;
- renewable heat in terms of solar thermal and geothermal; and
- eco-construction related materials, products and services.

The Commission should undertake a review of its current programmes and examine the possibility of new programmes that would support enterprises working in these areas to emerge and grow. In this respect, the Committee welcomes the EU guidelines on Environmental Aid which proactively encourage government support for companies adopting a Green Agenda.

14. Improving Europe's **energy** infrastructure should be a critical priority for the Commission in 2010 as its benefits can be threefold: (i) it can contribute to the promotion and use of renewable energy, thus supporting the Union's climate change objectives; (ii) it can contribute to the crucial issue of energy security which is vital to the social and economic well-being of the Union; and (iii) it can act as a stimulant for economic growth and job creation. To this end, the Committee welcomes the allocation of €110 million by the Commission for the construction of the electricity interconnector between Ireland and Britain, which represents a commitment to the development of the Ireland-GB-France regional electricity market. The Committee also welcomes the EU decision to allocate €165 million to the North Sea off-shore Wind Grid studies, which will incorporate an Irish link. Greater integration of markets and infrastructure should lead to benefits in terms of more competition, the delivery of renewable energy targets and enhanced security of supply.

15. The Committee believes that investors in the energy market need certainty and the Commission should prioritise creating conditions that underpin confidence for investment in critical infrastructure. This consideration should be central to the Commission's thinking when updating the EU Energy Action Plan for 2010-2014 and revising the Energy Services Directive. Clarification is also required on the

funding split between carbon capture and storage and innovative renewables, as well as the type and indicative numbers of renewable projects that will qualify for support. The Committee urges the Commission to clarify these issues as a matter of urgency if it wants to expedite the delivery of these technologies.

16. In terms of R & D within the energy sector, the Committee believes that the EU should seek to take a lead in new technology developments such as Electric vehicles and Plug-in Electric Hybrid Vehicle development and commercialisation. In general terms, the Commission should ensure that funds allocated are released as quickly as possible to eligible projects in the areas of R & D, innovation and investment in infrastructure. It is also important that regulatory burdens for businesses operating in this vital area are kept to the necessary minimum.

Other priority areas

17. While the Committee believes that the two priority areas of economic and social recovery and climate change and sustainable Europe deserve special attention, it is also necessary for the Commission to continue to invest time and effort into other areas, most notably the area of justice, security and freedom as well as external relations. The Committee welcomes the Commission's focus on migration and security but also encourages the Commission to concentrate on combating organised crime. The Committee also looks forward to the publication of the draft Stockholm Programme as the follow up to the Hague Programme on Justice and Home Affairs.
18. On external relations, the Committee agrees with the Commission's emphasis on the Western Balkans and the Middle East. It is vitally important that the Commission takes action to implement the European Council's request to accelerate the stabilisation and association process in the Western Balkans and that it makes every effort to finalise the accession negotiations with Croatia. The Committee strongly believes that the accession of Croatia into the EU will demonstrate the success of the stabilisation and association process and act as a catalyst for necessary democratic and economic reforms in the other countries of the region. On the Middle East process, the Commission is right to underline the need of the EU to actively engage, including in the context of the European Neighbourhood policy and the associated Union for the Mediterranean. The Committee believes that the Union should use its economic influence as well as its political influence to support the peace process and encourage the two sides to engage in meaningful and tangible negotiations leading to a comprehensive peace agreement based on the two-state solution.
19. The Committee will also be actively monitoring other specific priorities identified by the Commission in its Annual Policy Strategy for 2010, including:

- the EU budget review which is due to be concluded in 2009 and its potential impact on current programmes and policies, in particular the Common Agriculture Policy (CAP);
 - the re-launching and possible conclusions of the WTO Doha round of negotiations; and
 - the review and subsequent reform proposals of the Common Fisheries Policy (CFP). The Committee has already considered the Commission's Green Paper on reform of the CFP and has decided to hold consultations with the main stakeholders in Ireland with a view to making a contribution to the Commission.
20. The ratification of the Lisbon Treaty remains a priority for the EU Member States. Depending on the outcome of the referendum on the Treaty in Ireland on 2 October 2009, in which the Committee hopes to play a positive role, 2010 may see the entry into force of the Treaty. If this comes to pass, the new Commission will be tasked with implementing some of the Treaty's key institutional reforms. The Committee believes that the implementation of the democratic provisions of the Lisbon Treaty should be prioritised, especially the Citizen's initiative and the enhanced role for national parliaments. The Committee reiterates that the democratic decision of the Irish people in the upcoming referendum must be respected and therefore implementation of the Treaty can only be considered if all Member States ratify the Treaty.

Conclusion

16. The Committee recognises the importance of the Commission's annual policy strategy for the shaping of the Union's future work and therefore believes it is important that national parliaments have an opportunity to comment on it and contribute to the framing of the Annual Work and Legislative Programme. With this contribution, the Committee seeks to underline the policy areas which should form the core of the Commission's work in 2010 and highlight issues and actions which it believes the Union should prioritise. The Committee looks forward to examining the Commission's Annual Work and Legislative Programme for 2010, as well as the policy priorities of the new Commission due to take office in November. The Committee requests that its observations and recommendations as outlined above are taken into account when the new Commission is setting its policy agenda and when preparing the next Annual Work and Legislative Programme.

Oireachtas Joint Committee on European Affairs

Dublin, 31 July 2009